

# **East Gosford & Districts Financial Services Ltd**

**ABN 90 092 538 620**

## **Annual Report - 30 June 2011**

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# East Gosford & Districts Financial Services Ltd

ABN 90 092 538 620

## Chairman's Report 2011

On behalf of the Board of Directors, I am pleased to present my first report on the affairs of our Company, now in its 12th year of operation.

Our trading result for the financial year saw an improvement in revenue for the year however this unfortunately did not result in an improved profit position. One of the major reasons for this was a reduction in commissions received from Bendigo and Adelaide Bank effective April 2011 and advised by us to the market on 20 May 2011. I am pleased with the fact we were still able to manage a small profit.

Revenue increased from \$1.768 million in 2010 to \$1.881 million in 2011 which was pleasing given a competitive market and constant need to balance rates for both deposits and lending which make up our revenue stream.

Business levels as at 30 June 2011 were as follows:

- East Gosford                \$108 million
- Lisarow                     \$ 34 million
- Kincumber                 \$ 35 million
- Our total banking business as at financial year end stood at \$177 million.

This represents a net growth of \$11 million for the financial year. This again is a positive in a tough competitive market.

We continue to support the community and have now provided back \$298,000 to more than 60 sporting clubs, welfare organisations, community groups and schools within our community.

I would like to thank Bob Rudd who stepped down as Chairman after eight years and the tireless work that he undertook during this time. Bob took time out to travel Australia and we hope that he has had a well earned break. I would also like to thank Cliff Innes who also stepped down in July as a Director for his assistance over the previous 12 months.

I would like to take this opportunity to thank our Senior Manager Michael Bell, our Branch Managers, Julie Carrington at East Gosford, Terri Rutherford at Lisarow and Martin Creesey at Kincumber and all staff for their continued dedication and commitment to the **Community Bank®** concept and its promotion in the community.

On behalf of the Board, I would also like to thank all our valued shareholders and customers for your support helping to build a successful **Community Bank®** branch network, which in turn benefits our community. It is through your support our Company and the **Community Bank®** concept continues to grow.

Special thanks again must go to all Directors for giving up their time on a voluntary basis to support the **Community Bank®** model.

**Max Hiron**  
**Chairman**

## Senior Manager's Report 2011

A fair result given the current slow economic conditions. Whilst our business grew across the three branches by a combined \$11 million to \$177 million, this was again down on the year before when we grew by \$14 million. Our focus, however, was and still is to concentrate on lending growth and deposit retention to improve our profit position. The results are indicative of a competitive market that has certainly become evident over the past two years.

Given the above it is still positive to see a profit which we believe will strengthen over the next 12 months. It was disappointing that we had a reduction in our commission structure which negatively impacted the last three months revenue for the financial year and overall profit position.

We continue to focus on the fact we need to increase our lending portfolio to all facets of the community, both personal and business, to ensure we have a balance between funds held and funds lent. This is to minimise any future shocks that may occur and maintain and improve our profit position.

Our three branches continue to support community functions with staff involvement in a lot of these events which is pleasing to see, spreading the word and benefits of the **Community Bank®** model. This focus on community engagement has seen staff and Directors again involved in Kincumber Fair, Putt Put Regatta, Red Cross Telecross, Chertsey Public School Breakfast Programme, numerous sport, primary and high school events, and attending sponsorship events at Terrigal Surf Club, the Bay to Bay Fun Run and Central Coast Conservatorium of Music.

As we have previously stated, our **Community Bank®** branches provide more than just financial services. We are about encouraging community collaboration, keeping local money and jobs in our community and directing future profits to local initiatives and projects.

A thank you to all staff across our three branches for your hard work and sacrifices over the last financial year and for your ongoing positive attitudes to ensuring our business continues to be a success. Our Directors, who assist the business on a voluntary basis ensuring its long term viability, again thank you. Also thank you to our shareholders for your continued support of our branches and for what the **Community Bank®** model represents within the community.

**Michael Bell**  
**Senior Manager**

**East Gosford & Districts Financial Services Ltd**  
**ABN 90 092 538 620**  
**Directors' Report**

Your Directors submit the financial report of the Company for the financial year ended 30 June 2011.

**Directors**

The names and details of the Company's directors who held office during or since the end of the financial year are:

Maxwell Robert Hiron  
Chairman  
Licensed Electrical Contractor

Brian Wilfred Lindbeck  
Treasurer  
Retired Maintenance Accountant

Robert Geoffrey Rudd  
Director  
Surveyor

Theo Reginald Glover  
Director  
Sales and Marketing Manager

Kenneth George Howes  
Director  
Chartered Accountant

Garry Samuel Morris  
Director  
Financial Advisor

Colin Moran  
Director  
Small Business Owner

Mary Collins  
Director  
Retired Teacher and Property Investor

Clifford Lyle Innes (resigned 5 July 2011)  
Director  
Chartered Accountant

Directors were in office for the entire year unless otherwise stated.

No Directors have material interests in contracts or proposed contracts with the Company.

**Principal activities**

The principal activities of the Company during the course of the financial year were in providing community banking services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

There has been no significant changes in the nature of these activities during the year.

**Review of Operations**

The profit of the Company for the financial year after provision for income tax was \$13,917 (2010: \$23,624).

**Dividends**

	<b>Year Ended 30 June 2011</b>	
	<b>Cents Per Share</b>	<b>\$</b>
Dividends paid in the year:		
- Final for the previous year	3	29,844

**Significant changes in the state of affairs**

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company, in future years.

**East Gosford & Districts Financial Services Ltd**  
**ABN 90 092 538 620**  
**Directors' Report**

**Significant events after the balance date**

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company, in future years.

**Likely Developments**

The Company will continue its policy of providing banking services to the community.

**Remuneration Report**

During the year Brian Lindbeck received \$7,580 (2010: \$7,075) as reimbursement of telephone, IT and motor vehicle expenses.

No other Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

**Indemnification and Insurance of Directors and Officers**

The Company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the Company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The Company also has Officers Insurance for the benefit of Officers of the Company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer's duties.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The Company has not provided any insurance for an auditor of the Company or a related body corporate.

**Directors Meetings**

The number of Directors meetings attended during the year were:

<b>Director</b>	<b>Board Meetings #</b>
Maxwell Robert Hiron	11 (11)
Robert Geoffrey Rudd	7 (11)
Brian Wilfred Lindbeck	11 (11)
Theo Reginald Glover	10 (11)
Kenneth George Howes	10 (11)
Garry Samuel Morris	10 (11)
Colin Moran	10 (11)
Mary Collins	10 (11)
Clifford Lyle Innes (resigned 5 July 2011)	6 (11)

*# The first number is the meetings attended while in brackets is the number of meetings eligible to attend.*

**East Gosford & Districts Financial Services Ltd**  
**ABN 90 092 538 620**  
**Directors' Report**

**Company Secretary**

Michael Bell was appointed non-director company secretary on 9 May 2008. He has a Graduate Certificate in Banking and Finance, a Diploma in Business (Real Estate Management) and a Diploma of Management. He is currently the senior manager of East Gosford and Districts Financial Services Ltd.

**Corporate Governance**

The Company has implemented various corporate governance practices, which include:

- (a) An audit committee;
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

**Auditor Independence Declaration**

The directors received the following declaration from the auditor of the Company:



**Richmond  
Sinnott &  
Delahunty**

Level 2, 10-16 Forest Street  
PO Box 30  
Bendigo. 3552  
Ph. 03 5443 1177  
Fax. 03 5444 4344  
E-mail: [rsd@rsd advisors.com.au](mailto:rsd@rsd advisors.com.au)

Chartered Accountants

**Auditor's Independence Declaration**

In relation to our audit of the financial report of East Gosford & Districts Financial Services Ltd for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

**Philip Delahunty**  
**Partner**  
**Richmond Sinnott & Delahunty**  
**9 September 2011**

Signed in accordance with a resolution of the Board of Directors at East Gosford, New South Wales on 9 September 2011.

Max Hiron, Chairman

**East Gosford & Districts Financial Services Ltd**  
**ABN 90 092 538 620**  
**Statement of Comprehensive Income**  
**For the year ended 30 June 2011**

	<u>Notes</u>	<b>2011</b> <b>\$</b>	<b>2010</b> <b>\$</b>
Revenues from continuing operations	2	1,880,587	1,767,568
Employee benefits expense	3	(1,092,453)	(1,020,056)
Charitable donations and sponsorship		(46,946)	(41,775)
Depreciation and amortisation expense	3	(112,622)	(90,591)
Other expenses		<u>(596,206)</u>	<u>(569,539)</u>
<b>Profit before income tax expense</b>		32,360	45,607
Income tax expense	4	<u>18,443</u>	<u>21,983</u>
<b>Profit after income tax expense</b>		13,917	23,624
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income</b>		<u><u>13,917</u></u>	<u><u>23,624</u></u>
<b>Earnings per share (cents per share)</b>			
- basic for profit for the year	22	1.40	2.37
- diluted for profit for the year	22	1.40	2.37

The accompanying notes form part of these financial statements

**East Gosford & Districts Financial Services Ltd**  
**ABN 90 092 538 620**  
**Statement of Financial Position**  
**As at 30 June 2011**

	<u>Notes</u>	2011 \$	2010 \$
<b>Current Assets</b>			
Cash and cash equivalents	6	278,564	329,432
Current tax receivable	4	285	5,723
Receivables	7	179,015	195,509
<b>Total Current Assets</b>		<u>457,864</u>	<u>530,664</u>
<b>Non-Current Assets</b>			
Investments	8	17,961	17,961
Property, plant and equipment	9	209,910	248,186
Intangible assets	10	155,983	22,953
Deferred tax assets	4	3,440	21,326
<b>Total Non-Current Assets</b>		<u>387,294</u>	<u>310,426</u>
<b>Total Assets</b>		<u>845,158</u>	<u>841,090</u>
<b>Current Liabilities</b>			
Payables	11	90,608	90,478
Provisions	12	164,966	145,101
<b>Total Current Liabilities</b>		<u>255,574</u>	<u>235,579</u>
<b>Total Liabilities</b>		<u>255,574</u>	<u>235,579</u>
<b>Net Assets</b>		<u>589,584</u>	<u>605,511</u>
<b>Equity</b>			
Share capital	13	709,669	709,669
Retained earnings/(accumulated losses)	14	(120,085)	(104,158)
<b>Total Equity</b>		<u>589,584</u>	<u>605,511</u>

The accompanying notes form part of these financial statements

**East Gosford & Districts Financial Services Ltd**  
**ABN 90 092 538 620**  
**Statement of Cash Flows**  
**For the year ended 30 June 2011**

	<u>Notes</u>	<b>2011</b> <b>\$</b>	<b>2010</b> <b>\$</b>
<b>Cash Flows From Operating Activities</b>			
Cash receipts in the course of operations		2,081,716	1,945,549
Cash payments in the course of operations		(1,905,093)	(1,802,420)
Interest received		4,291	7,551
Income tax refunded		5,438	5,399
<b>Net cash flows from operating activities</b>	15b	<u>186,352</u>	<u>156,079</u>
<b>Cash Flows From Investing Activities</b>			
Purchase of investments		-	(17,461)
Purchase of property, plant and equipment		(11,956)	(24,050)
Purchase of intangible assets		(195,420)	(9,900)
<b>Net cash flows used in investing activities</b>		<u>(207,376)</u>	<u>(51,411)</u>
<b>Cash Flows From Financing Activities</b>			
Dividends paid		(29,844)	-
<b>Net cash flows used in financing activities</b>		<u>(29,844)</u>	<u>-</u>
<b>Net increase/(decrease) in cash held</b>		(50,868)	104,668
Cash and cash equivalents at start of year		329,432	224,764
<b>Cash and cash equivalents at end of year</b>	15a	<u><u>278,564</u></u>	<u><u>329,432</u></u>

The accompanying notes form part of these financial statements

**East Gosford & Districts Financial Services Ltd**  
**ABN 90 092 538 620**  
**Statement of Changes in Equity**  
**For the year ended 30 June 2011**

	<u>Notes</u>	2011 \$	2010 \$
<b>SHARE CAPITAL</b>			
Balance at start of year		709,669	709,669
Issue of share capital		-	-
Share issue costs		-	-
<b>Balance at end of year</b>		<u><u>709,669</u></u>	<u><u>709,669</u></u>
<b>RETAINED EARNINGS/(ACCUMULATED LOSSES)</b>			
Balance at start of year		(104,158)	(127,782)
Profit after income tax expense		13,917	23,624
Dividends paid or proposed	21	(29,844)	-
<b>Balance at end of year</b>		<u><u>(120,085)</u></u>	<u><u>(104,158)</u></u>

The accompanying notes form part of these financial statements

**East Gosford & Districts Financial Services Ltd**

**ABN 90 092 538 620**

**Notes to the Financial Statements  
for the year ended 30 June 2011**

**1. Basis of preparation of the Financial Report**

**(a) Basis of preparation**

East Gosford & District Financial Services Ltd ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2011 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing community banking services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 9 September 2011.

**(b) Statement of compliance**

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report. These changes are not expected to have a material impact on the Company's financial statements.

**(c) Significant accounting policies**

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2010 financial statements.

**Income tax**

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

**East Gosford & Districts Financial Services Ltd**

**ABN 90 092 538 620**

**Notes to the Financial Statements  
for the year ended 30 June 2011**

**1. Basis of preparation of the Financial Report (continued)**

**Property, plant and equipment**

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

<u>Class of Asset</u>	<u>Depreciation Rate</u>
Plant & equipment	2.5 - 20%

***Impairment***

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

**Recoverable amount of assets**

At each reporting date, the Company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

**Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

**East Gosford & Districts Financial Services Ltd**  
**ABN 90 092 538 620**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2011**

**1. Basis of preparation of the Financial Report (continued)**

**Goods and services tax (continued)**

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

**Employee Benefits**

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the reporting date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

The Company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

**Intangibles**

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

**Cash**

Cash on hand and in banks are stated at nominal value.

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

**Revenue**

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

**Investments**

Investments are recorded at cost.

**East Gosford & Districts Financial Services Ltd**  
**ABN 90 092 538 620**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2011**

**1. Basis of preparation of the Financial Report (continued)**

**Receivables and Payables**

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

**Loans and Borrowings**

All loans are measured at the principal amount. Interest is recognised as an expense as it accrues.

**Provisions**

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

**Share Capital**

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

**Comparative Figures**

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

**2. Revenue from continuing operations**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Operating activities:		
- other revenue	1,874,440	1,722,539
	<u>1,874,440</u>	<u>1,722,539</u>
Non-operating activities:		
- interest revenue	4,291	7,551
- other revenue	1,856	37,478
	<u>6,147</u>	<u>45,029</u>
	<u><u>1,880,587</u></u>	<u><u>1,767,568</u></u>

**East Gosford & Districts Financial Services Ltd**

**ABN 90 092 538 620**

**Notes to the Financial Statements  
for the year ended 30 June 2011**

**3. Expenses**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Employee benefits expense		
- wages and salaries	980,862	903,309
- superannuation costs	86,118	78,883
- workers' compensation costs	2,883	3,055
- other costs	22,590	34,809
	<u>1,092,453</u>	<u>1,020,056</u>

Depreciation of non-current assets:

- plant and equipment	50,232	50,163
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Amortisation of non-current assets:

- intangibles	62,390	40,428
	<u>112,622</u>	<u>90,591</u>

Bad debts	4,222	2,614
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**4. Income Tax Expense**

The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:

Prima facie tax on profit before income tax at 30%	9,708	13,798
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Add tax effect of:

- Non-deductible expenses	8,735	8,185
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<i>Current income tax expense</i>	<u>18,443</u>	<u>21,983</u>
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Income tax expense	<u>18,443</u>	<u>21,983</u>
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**Deferred tax asset**

Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.

	<u>3,440</u>	<u>21,326</u>
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**Tax liabilities**

Current tax receivable	<u>285</u>	<u>5,723</u>
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**5. Auditors' Remuneration**

Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:

- Audit or review of the financial report of the Company	<u>3,900</u>	<u>3,900</u>
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**East Gosford & Districts Financial Services Ltd**

**ABN 90 092 538 620**

**Notes to the Financial Statements  
for the year ended 30 June 2011**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>6. Cash and Cash Equivalents</b>		
Cash on hand	600	600
Cash at bank	277,964	178,832
Cash deposits at bank	-	150,000
	<u>278,564</u>	<u>329,432</u>
<b>7. Receivables</b>		
Trade debtors	167,178	170,641
Other debtors	7,696	11,930
Prepaid expenses	4,141	12,938
	<u>179,015</u>	<u>195,509</u>
<b>8. Investments</b>		
Shares in Public Companies	<u>17,961</u>	<u>17,961</u>
<b>9. Property, Plant and Equipment</b>		
<i>Plant and equipment</i>		
At cost	616,096	604,140
Less accumulated depreciation	(408,326)	(358,744)
Total written down amount	<u>207,770</u>	<u>245,396</u>
<i>Computer software</i>		
At cost	5,000	5,000
Less accumulated depreciation	(2,860)	(2,210)
Total written down amount	<u>2,140</u>	<u>2,790</u>
Total Property, Plant & Equipment	<u>209,910</u>	<u>248,186</u>
<b>Movements in carrying amounts</b>		
<i>Plant and equipment</i>		
Carrying amount at beginning of year	245,396	270,859
Additions	11,956	24,050
Disposals	-	-
Depreciation expense	(49,582)	(49,513)
Carrying amount at end of year	<u>207,770</u>	<u>245,396</u>
<i>Computer software</i>		
Carrying amount at beginning of year	2,790	3,440
Additions	-	-
Disposals	-	-
Depreciation expense	(650)	(650)
Carrying amount at end of year	<u>2,140</u>	<u>2,790</u>

**East Gosford & Districts Financial Services Ltd**  
**ABN 90 092 538 620**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2011**

	2011 \$	2010 \$
<b>10. Intangible Assets</b>		
<i>Franchise Fee</i>		
At cost	41,570	67,000
Less accumulated amortisation	<u>(15,964)</u>	<u>(66,014)</u>
	<u>25,606</u>	<u>986</u>
 <i>Training Fee &amp; Startup Assistance</i>		
At cost	263,227	247,444
Less accumulated amortisation	<u>(132,850)</u>	<u>(225,477)</u>
	<u>130,377</u>	<u>21,967</u>
 Total Intangible Assets	<u><u>155,983</u></u>	<u><u>22,953</u></u>
 <b>11. Payables</b>		
Trade creditors	21,642	23,498
Other creditors and accruals	<u>68,966</u>	<u>66,980</u>
	<u><u>90,608</u></u>	<u><u>90,478</u></u>
 <b>12. Provisions</b>		
Employee benefits	<u>164,966</u>	<u>145,101</u>
 <b>Movement in employee benefits</b>		
Opening balance	145,101	127,788
Additional provisions recognised	75,451	69,485
Amounts utilised during the year	<u>(55,586)</u>	<u>(52,172)</u>
Closing balance	<u><u>164,966</u></u>	<u><u>145,101</u></u>
 <b>13. Share Capital</b>		
760,008 Ordinary Shares fully paid of \$1 each	760,008	760,008
234,804 Bonus Shares*	-	-
Less preliminary expenses	<u>(50,339)</u>	<u>(50,339)</u>
	<u><u>709,669</u></u>	<u><u>709,669</u></u>
 * During 2005, 234,804 bonus shares were issued for no consideration at the rate of 1 share for every 2 held.		
 <b>14. Retained Earnings/(Accumulated Losses)</b>		
Balance at the beginning of the financial year	(104,158)	(127,782)
Profit after income tax	13,917	23,624
Dividends paid or proposed	<u>(29,844)</u>	<u>-</u>
Balance at the end of the financial year	<u><u>(120,085)</u></u>	<u><u>(104,158)</u></u>

**East Gosford & Districts Financial Services Ltd**  
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**Notes to the Financial Statements**  
**for the year ended 30 June 2011**

	2011 \$	2010 \$
<b>15. Statement of Cash Flows</b>		
<i>(a) Cash and cash equivalents</i>		
Cash assets	<u>278,564</u>	<u>329,432</u>
<i>(b) Reconciliation of profit after tax to net cash from/(used in) operating activities</i>		
Profit from ordinary activities after income tax	13,917	23,624
Non cash items		
- Depreciation	50,232	50,163
- Amortisation	62,390	40,428
Changes in assets and liabilities		
- (Increase) decrease in receivables	16,494	8,535
- Increase (decrease) in payables	130	(11,366)
- Increase (decrease) in provisions	19,865	17,313
- (Increase) decrease in deferred tax asset	17,886	21,983
- (Increase) decrease in current tax receivable	5,438	5,399
Net cashflows from/(used in) operating activities	<u>186,352</u>	<u>156,079</u>

**16. Directors and Related Party Disclosures**

The names of directors who have held office during the financial year are:

Maxwell Robert Hiron  
Robert Geoffrey Rudd  
Brian Wilfred Lindbeck  
Theo Reginald Glover  
Kenneth George Howes  
Garry Samuel Morris  
Colin Moran  
Mary Collins  
Clifford Lyle Innes (resigned 5 July 2011)

During the year Brian Lindbeck received \$7,580 (2010: \$7,075) as reimbursement of telephone, IT and motor vehicle expenses.

No director or related entity has entered into a material contract with the Company. No director's fees have been paid as the positions are held on a voluntary basis.

**East Gosford & Districts Financial Services Ltd**  
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**for the year ended 30 June 2011**

**16. Directors and Related Party Disclosures (continued)**

<b>Directors shareholdings</b>	<b>2011</b>	<b>2010</b>
Maxwell Robert Hiron	4,502	4,502
Robert Geoffrey Rudd	2,502	2,502
Brian Wilfred Lindbeck	4,502	4,502
Theo Reginald Glover	-	-
Kenneth George Howes	1,502	1,502
Garry Samuel Morris	2,250	2,250
Colin Moran	10,000	10,000
Mary Collins	3,750	3,750
Clifford Lyle Innes (resigned 5 July 2011)	-	-

There was no movement in directors shareholdings during the year. Each share held has a paid up value of \$1 and is fully paid. The above holdings are held personally or in associated entities.

**17. Subsequent Events**

There have been no other events after the end of the financial year that would materially affect the financial statements.

**18. Contingent Liabilities and Assets**

Apart from below, there were no other contingent liabilities or assets at the date of this report to affect the financial statements.

A bank guarantee for a rental bond for the Lisarow property of \$9,000 and a bank guarantee for fortnightly wages of \$35,000 has been made by the Company.

**19. Segment Reporting**

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being the Central Coast, NSW.

**20. Corporate Information**

East Gosford & Districts Financial Services Ltd is a company limited by shares incorporated in Australia whose shares are publicly traded on the Bendigo Stock Exchange.

The registered office and principal place of business is: 101 Victoria Street  
East Gosford NSW 2250

**East Gosford & Districts Financial Services Ltd**  
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**Notes to the Financial Statements**  
**for the year ended 30 June 2011**

	2011 \$	2010 \$
<b>21. Dividends paid or provided for on ordinary shares</b>		
<b>(a) Dividends paid during the year</b>		
Prior year final		
Franked dividends - 3 cents per share (2010: nil cents per share)	<u>29,844</u>	<u>-</u>
<b>(b) Franking credit balance</b>		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year	69,706	87,377
- Franking debits that will arise from the refund of income tax at the end of the financial year	<u>(285)</u>	<u>(5,723)</u>
	<u>69,421</u>	<u>81,654</u>

The tax rate at which dividends were franked was 30%.

**22. Earnings per share**

Basic earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Profit after income tax expense	<u>13,917</u>	<u>23,624</u>
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>994,812</u>	<u>994,812</u>

**East Gosford & Districts Financial Services Ltd**  
**ABN 90 092 538 620**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2011**

**23. Financial risk management**

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

**(a) Credit Risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

The maximum exposure to credit risk at reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	<b><u>Carrying Amount</u></b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Cash assets	278,564	329,432
Receivables	179,015	195,509
Investments	17,961	17,961
	<u>475,540</u>	<u>542,902</u>

The Company's exposure to credit risk is limited to Australia by geographic area.

None of the assets of the Company are past due (2010: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

**(b) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

**East Gosford & Districts Financial Services Ltd**  
**ABN 90 092 538 620**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2011**

**23. Financial risk management (continued)**

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	<b>Carrying amount \$</b>	<b>Contractual cash flows \$</b>	<b>1 year or less \$</b>	<b>over 1 to 5 years \$</b>	<b>more than 5 years \$</b>
<b>30 June 2011</b>					
Payables	90,608	(90,608)	(90,608)	-	-
	<u>90,608</u>	<u>(90,608)</u>	<u>(90,608)</u>	<u>-</u>	<u>-</u>
<b>30 June 2010</b>					
Payables	90,478	(90,478)	(90,478)	-	-
	<u>90,478</u>	<u>(90,478)</u>	<u>(90,478)</u>	<u>-</u>	<u>-</u>

**(c) Market risk**

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

***Interest Rate Risk***

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular board meetings.

**Sensitivity analysis**

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	<b><u>Carrying Amount</u></b>	
	<b>2011 \$</b>	<b>2010 \$</b>
<b>Fixed rate instruments</b>		
Financial assets	-	150,000
Financial liabilities	-	-
	<u>-</u>	<u>150,000</u>
<b>Variable rate instruments</b>		
Financial assets	278,564	179,432
Financial liabilities	-	-
	<u>278,564</u>	<u>179,432</u>

***Fair value sensitivity analysis for fixed rate instruments***

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

***Cash flow sensitivity analysis for variable rate instruments***

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2010 there was also no impact. As at both dates this assumes all other variables remain constant.

**East Gosford & Districts Financial Services Ltd**  
**ABN 90 092 538 620**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2011**

**23. Financial risk management (continued)**

**(d) Net fair values**

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. The Company does not have any unrecognised financial instruments at year end.

**(e) Capital management**

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

- (i) the Distribution Limit is the greater of:
  - (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
  - (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and
- (ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2011 can be seen in the Statement of Comprehensive Income.

There were no changes in the Company's approach to capital management during the year.

**East Gosford & Districts Financial Services Ltd**  
**ABN 90 092 538 620**  
**Directors' Declaration**

In accordance with a resolution of the directors of East Gosford & District Financial Services Ltd,  
I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2011 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia, International Financial Reporting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (c) this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2011.



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Max Hiron, Chairman

Signed at East Gosford, New South Wales on 9 September 2011



**Richmond  
Sinnott &  
Delahunty**

Chartered Accountants

***INDEPENDENT AUDIT REPORT  
TO THE MEMBERS OF EAST GOSFORD & DISTRICTS  
FINANCIAL SERVICES LTD***

***SCOPE***

The financial report comprises the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for East Gosford & Districts Financial Services Ltd, for the year ended 30 June 2011.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are established to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

***Audit approach***

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

**INDEPENDENCE**

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

**AUDIT OPINION**

In our opinion, the financial report of East Gosford & Districts Financial Services Ltd is in accordance with:

- (a) the Corporations Act 2001 including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2011 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

**RICHMOND SINNOTT & DELAHUNTY**

Chartered Accountants



**Philip Delahunty**  
Partner  
Bendigo

Date: 9 September 2011

**East Gosford & District Financial Services Limited****BSX Report - Share register information required to insert into your report. This information is current as at 19 September 2011.**

Ten Largest Shareholders - includes equal holdings

Shareholder	Number of Shares	Percentage of Capital
1 MRS ROBYN DENHAM	12500	1.26%
2 MR ROGER DENHAM	12500	1.26%
3 MRS CHRISTINE JOY THORPE	12500	1.26%
4 MR PAUL VANDERSTELT & MRS ELSIE VANDERSTE	15000	1.51%
5 MR BENJAMIN CONNELL & MR PHILLIP CONNELL <	15000	1.51%
6 JOHN WARREN PEARCE PTY LTD <MIRIAM C PEAR	15000	1.51%
7 MR KEYA PFYELD	17500	1.76%
8 MRS MINA SANDERS & MR GREGORY SANDERS	17500	1.76%
9 MR ROBERT ZIRKLER & MRS CHRISTINA ZIRKLER	17500	1.76%
10 WINPAR HOLDINGS LIMITED	25000	2.51%
MR RICHARD EVERITT THORNE	32000	3.22%
PKC INVESTMENTS PTY LTD	53750	5%
	245,750	24.71%

**Distribution of Shareholders**

The following table shows the number of shareholders, broken into various categories showing the total number of shares held:

Number of shares held	Number of shareholders
1 to 1,000	97
1,001 to 5,000	161
5,001 to 10,000	33
10,001 to 100,000	15
100,001 and over	0
Total Shareholders	306

There are 7 shareholders holding less than a marketable parcel of shares (\$500 in value).

There are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to \$1.00. There are no unquoted equity securities.